General Assembly
Official Records
Seventy-first Session
Supplement No. 5O

A/71/5/Add.15

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

United Nations • New York, 2016

Please recycle

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[15 September 2016]

Contents

Chapter		*Page*
	Letters of transmittal	5
I.	Report of the Board of Auditors on the financial statements: audit opinion on the financial statements	7
II.	Long-form report of the Board of Auditors	9
	Summary	9
	A. Mandate, scope and methodology	12
	B. Findings and recommendations	13
	1. Previous years' recommendations	13
	2. Financial overview	13
	3. Judicial activities	15
	4. Regulatory framework of the Mechanism	16
	5. Archive and records management systems	17
	6. Information and communications technology	18
	7. Construction of the Mechanism facility in Arusha	19
	C. Disclosures by management	19
	1. Write-offs of losses of cash, receivables and property	20
	2. Ex gratia payments	21
	3. Cases of fraud and presumptive fraud	21
	D. Acknowledgement	21
III.	Certification of the financial statements	22
IV.	Financial report for the year ended 31 December 2015	23
	A. Introduction	23
	B. Overview of the financial statements for the year ended 31 December 2015	25
	Annex Supplementary information	28
V.	Financial statements for the year ended 31 December 2015	29

I. Statement of financial position as at 31 December 2015 29
II. Statement of financial performance for the year ended 31 December 2015 30
III. Statement of changes in net assets for the year ended 31 December 2015 31
IV. Statement of cash flows for the year ended 31 December 2015 32
V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015 33
Notes to the 2015 financial statements 34
Annex 76

Letters of transmittal

Letter dated 31 May 2016 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial statements of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2015, which I hereby approve. The financial statements have been certified by the Controller as correct in all material respects.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

Letter dated 19 September 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Residual Mechanism for Criminal Tribunals for the financial year ended 31 December 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion on the financial statements

Report on the financial statements

We have audited the accompanying financial statements of the International Residual Mechanism for Criminal Tribunals, which comprise the statement of financial position (statement I) as at 31 December 2015, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General of the United Nations is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to make possible the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers such internal control as is relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Residual Mechanism for Criminal Tribunals as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the International Residual Mechanism for Criminal Tribunals that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the International Residual Mechanism for Criminal Tribunals.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

Chapter II
Long-form report of the Board of Auditors

Summary

On 22 December 2010, the Security Council adopted its resolution 1966 (2010) to establish the International Residual Mechanism for Criminal Tribunals. The Mechanism was created to finish the remaining tasks of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda. It operates from two branches located in Arusha, United Republic of Tanzania, and The Hague, the Netherlands.

The Board of Auditors has audited the financial statements and reviewed the operations of the Mechanism for the year ended 31 December 2015. The audit was carried out through the examination of financial transactions and operations of the Mechanism's headquarters in Arusha and The Hague.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, and has been discussed with the Mechanism's management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Mechanism as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the Mechanism's operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined key activities of the Mechanism, including evaluation of overall service sustainability, completion strategy, post implementation of IPSAS, archive and records management, travel management, and information and communications technology. The report also includes a brief commentary on the status of implementation of recommendations from previous years.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements for the period under review, as reflected in chapter I.

Overall conclusion

The Board did not identify material misstatements which could affect its opinion on the Mechanism's financial statements. The Mechanism migrated to the Umoja enterprise resource planning system as from 9 November 2015, whereby the

administrative processes were automated. However, the Mechanism did not amend the administrative procedures, policies and practices inherited from the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda to conform to the current automated processes. The Board considers that the Mechanism needs to revisit its administrative regulatory structure, including refining the relevant procedures, policies and practices inherited from the two Tribunals to ensure that they meet the needs of the Mechanism's specific operating environment.

Key findings

The Board has identified a number of issues to enhance the effectiveness of Mechanism operations. In particular, the Board highlights the following key findings:

Policies consistent with the current working environment

Most of the Mechanism's internal administrative processes, such as those relating to facilities management and financial accounting, are now fully automated in the Umoja system. However, as mentioned above, the Mechanism continues to use the majority of the administrative procedures, policies and practices adopted from the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda and has not revised the old policies to conform to the current automated processes and operating environment. For example, the Board noted that the inherited policy on travel request and authorization as well as the standard operating procedure on travel are not consistent with the Mechanism's current automated environment, whereby forms such as the PT.8, mentioned in the policy and the standard operating procedure, are no longer in use. The Mechanism has established a policy development framework to provide guidance for areas of its operations that are unique to the Mechanism, which requires elaboration in addition to guidance provided under Umoja. However, the Mechanism had no plan showing the timelines set to complete the process of identifying and refining its inherited policies in line with Umoja or for developing standard operating procedures that suits its current environment and operations. The Board considers that the Mechanism should refine its administrative regulatory structure as a matter of priority to ensure that its administrative roles are properly guided.

Lack of a consolidated plan for information and communications technology systems and applications

The Mechanism uses many information and communications technology systems for managing the information of Trial Chamber victims and witnesses that were cloned from systems and applications of the International Tribunal for the Former Yugoslavia. Although some of the cloned administrative systems and applications have been replaced by Umoja, the Board noted that some of the systems are still in use, including the Court Management System, the Evidence Unit tracking database, the Witness Management System, the judicial database, the International Tribunal for the Former Yugoslavia court records, the incoming request database and the operations and support system. It also retained 32 information systems and applications from the International Criminal Tribunal for Rwanda in Arusha on its new network and storage infrastructure (Vblock[a] infrastructure). However, the Mechanism had not involved users in the process of transferring information and communications technology systems and applications (i.e., representatives of the

Chambers, the Office of the Prosecutor and the Registry from the two Tribunals). Furthermore, the Mechanism had not developed detailed workplans for harmonizing and consolidating the Tribunals' systems and applications such that they meet its requirements and can be used with the Mechanism's information systems. The Board considers that the Mechanism will need to consolidate information systems and applications inherited from the Tribunals and to use the Vblock infrastructure to connect the branches in Arusha and The Hague in order to fully benefit from those systems. Moreover, it is important for the consolidation to be achieved before closure of the International Tribunal for the Former Yugoslavia since the process requires staff resources with appropriate knowledge of the existing systems.

Construction of the Mechanism facility in Arusha

Construction of the Mechanism facility in Arusha was estimated to cost $6.6 million and was expected to be completed within 12 calendar months, from 27 February 2015 to 28 February 2016. At the request of the contactor, the Procurement Division in New York approved an extension of the completion date, from 28 February 2016 to 16 May 2016. However, during its audit (June 2016), the Board noted that the revised completion date had passed without the construction being completed. In addition, liquidated damages for the delay were not charged against the contractor. The Board ascertained that, in accordance with clause 8.7 and the first schedule of the contract, an amount of $0.48 million could be deducted as liquidated damages as at June 2016. The Mechanism estimates that approximately 80 per cent of the work has been completed and that substantial completion is expected in September 2016. The Board considers that the Mechanism will have to prepare a plan to ensure that the project is completed as scheduled.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations for the Mechanism are as follows:

(a) **Use the developed policy framework to update administrative rules, policies and procedures to suit the Mechanism's current operating environment;**

(b) **In collaboration with the International Tribunal for the Former Yugoslavia, establish appropriate working groups to: (i) review the Mechanism's information technology systems and applications requirements; and (ii) develop workplans to harmonize and consolidate the applications and systems inherited from the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as appropriate, to meet those requirements;**

(c) **In collaboration with the Procurement Division at Headquarters: (i) continue to closely monitor the project so as to avoid further delays; (ii) prepare a project plan to demonstrate how the project will be completed on time and within the approved budget; and (iii) evaluate and enforce the liquidated damages provision, as appropriate, vis-à-vis the contractor for the failure to abide by the contractual terms.**

[a] A converged infrastructure system which integrates the network, storage as well as the virtualization environment.

Key facts	
$120.3 million	Original biennium budget approved by the General Assembly for 2014-2015
$115.5 million	Revised biennium budget approved by the General Assembly for 2014-2015
$91.3 million	Original annual budget for 2015
$12.8 million	Final annual budget for 2015
$10.4 million	Total revenue for 2015
$35.5 million	Total expenses for 2015
$68.5 million	Total assets as at 31 December 2015
$63.2 million	Total liabilities at 31 December 2015
255	Total staff (230 fixed-term; 25 temporary staff)

A. Mandate, scope and methodology

1. The International Residual Mechanism for Criminal Tribunals was established by the Security Council in its resolution 1966 (2010) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates, including a range of judicial activities, the enforcement of sentences, the resettlement of acquitted and released persons, the protection of victims and witnesses and the management of archives.

2. The Mechanism has two branches, in Arusha, United Republic of Tanzania, and The Hague, the Netherlands. The Arusha branch, which covers functions inherited from the International Criminal Tribunal for Rwanda, commenced its operations on 1 July 2012. The branch in The Hague, which covers functions inherited from the International Tribunal for the Former Yugoslavia, commenced its operations on 1 July 2013.

3. The Mechanism consists of three organs, namely, the Chambers, the Office of the Prosecutor and the Registry. The Chambers comprise a full-time President, a Trial Chamber for each branch, a duty judge at the Arusha branch and single judges appointed at both branches. The Chambers are responsible for all judicial work of the Mechanism, including the enforcement of sentences, administrative review, trials, appeals, proceedings for review of final judgment, contempt and false testimony proceedings, and disposition of other requests related to, for example, access to confidential material and witness protection. The Office of the Prosecutor is responsible for the investigation and prosecution. The Registry, which services both the Chambers and the Office of the Prosecutor, is responsible for the administration and servicing of the Mechanism.

4. The Board of Auditors has audited the financial statements of the Mechanism and reviewed its operations for the year ended 31 December 2015 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Mechanism as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards. This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

6. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Mechanism's operations under financial regulation 7.5, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Mechanism's operations. Those matters are addressed in the relevant sections of the present report.

7. The Board coordinates with the Office of Internal Oversight Services during the audit in order to avoid duplication of effort and to determine the extent to which the Board could rely on its work.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The observations and conclusions were discussed with the Mechanism, the views of which have been appropriately reflected in the report.

B. Findings and recommendations

1. Previous years' recommendations

9. The Board had no significant findings for the Mechanism for the financial year ended 31 December 2014. Therefore, there are no outstanding recommendations relating to previous years.

2. Financial overview

10. In 2015, the Mechanism reported total revenue of $10.43 million (2014: $61.97 million) and total expenses of $35.51 million (2014: $26.63 million), resulting

in a deficit of $25.08 million (2014: surplus of $35.34 million), which is attributed mainly to recognition of the majority of revenue for the biennium 2014-2015 in 2014.

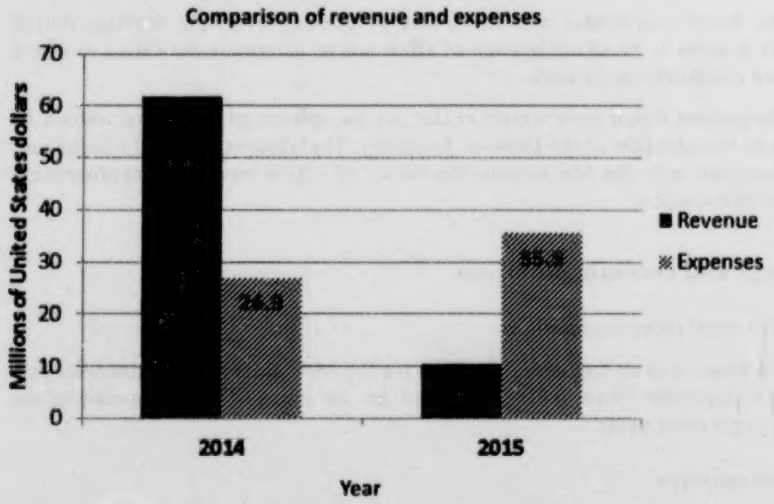
11. The reported revenue is based on the reduced final appropriation of $71.59 million. The appropriation was revised downwards by the General Assembly in its resolution 70/243 of 23 December 2015 by reducing the assessed contributions for the biennium 2014-2015 by $43.93 million. The decision was based on the second performance report of 17 November 2015 (A/70/558), which highlighted the following reasons for the reduction: the strengthening of the dollar against the euro and the Tanzania shilling, lower inflation ($9.5 million) and decreases related to post and non-post resources ($34.4 million).

12. Total assets of the Mechanism increased from $50.39 million in 2014 to $68.54 million in 2015. The increase in assets was mainly the result of the increase in the value of investments in the main cash pool and additional property, plant and equipment transferred from the International Criminal Tribunal for Rwanda, which was closed down in 2015.

13. The Mechanism reported total liabilities of $63.19 million as at 31 December 2015 (2014: $19.16 million). The liabilities increased because after reduction of the final appropriation for 2014-2015 by $43.93 million, a provision of $41.43 million was made for the related assessed contributions already received in 2015, which will have to be offset against contributions to be assessed from the respective Member States in 2016.

14. A comparison of revenue and expenses for the financial years 2014 and 2015 is illustrated in the following figure.

Financial performance pattern



Source: Board of Auditor's analysis of the Mechanism's 2015 financial statements.

Ratio analysis

15. The following table contains key financial ratios extracted from the Mechanism's financial statements.

Ratio analysis

(United States dollars)

Description of ratio	*31 December 2015*	*31 December 2014*
Total assets: total liabilities[a]	1.08	2.63
Current ratio[b] Current assets: current liabilities	0.85	3.96
Quick ratio[c] Cash and short-term investments and accounts receivable: current liabilities	0.81	3.92
Cash ratio[d] Cash and short-term investments: current liabilities	0.79	3.54

Source: The Mechanism's financial statements for the year ended 31 December 2015.

[a] A high ratio is a good indicator of solvency.

[b] A high ratio indicates an entity's ability to pay off its short-term obligations.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

16. The overall financial ratios in 2015 indicate a weakening in the solvency and liquidity position of the entity compared to the preceding year. The current ratio shows that the Mechanism had current assets of only $0.85 to finance each dollar of current liability compared with $3.96 in 2014. The decrease in the current ratio was a result of the increase in current liabilities of $41.95 million from $7.93 million in 2014 to $49.88 million in 2015 owing mainly to the provision of $41.43 million in respect of the assessed contributions for the biennium 2014-2015 that will be offset against Member States' assessments for 2016. As the provision will not result in an actual outflow of cash to settle this liability, the position portrayed by the ratios does not constitute a liquidity challenge to the Mechanism.

3. Judicial activities

Risk of delay in completion of the Mechanism's ad hoc trial and appeal activities

17. As was stated above, pursuant to Security Council resolution 1966 (2010), the Mechanism commenced operations at its branch in Arusha on 1 July 2012 and at its branch in The Hague on 1 July 2013. Under the terms of the resolution, the Mechanism was established to operate for an initial period of four years and, subsequently, for periods of two years, following reviews of its progress, unless the Council decides otherwise.

18. The Mechanism anticipates the level of judicial work to increase further over the course of the next several years, as it is currently conducting a full retrial and is seized of two major appeals. It also may receive appeals from the judgments, if any,

of the final trials being conducted by the International Tribunal for the Former Yugoslavia and from any possible fugitive trials or retrials ordered by the Appeals Chambers. In addition, the Mechanism Chambers has a steadily increasing workload in relation to matters of enforcement of sentences, administrative review, requests for review and other residual matters, such as requests for access to confidential material and witness protection.

19. The Board noted that, as at 30 June 2016, in the International Tribunal for the Former Yugoslavia, two cases, involving two individuals, were in trial and one case, involving six individuals, was in appeal proceedings. The trial judgment of the final case is expected in November 2017 followed by the appeals (if any). While the projected timeline for completion of the appeals related to the trial judgment is three years in accordance with the Mechanism's review report of 20 November 2015 (S/2015/896), the finalization of the appeals within the projected timeline is critical to ensure that the Mechanism discharges its mandate as expected.

20. The Mechanism informed the Board that it took seriously its commitment to meeting the projected target dates for completion of trial and appeal proceedings, as was demonstrated by the Mechanism's taking numerous steps to ensure that each of its cases proceeded expeditiously and to otherwise mitigate risks of delays. That included recruiting experienced and proven staff members to provide legal support to judges and adopting a flexible staffing approach that allowed it to allocate necessary resources to each case at critical phases so as to ensure its advancement while simultaneously assisting in the completion of the other judicial activity. It further explained that there were some matters beyond the control of the Mechanism and there was always the possibility that extraordinary events might occur during the course of proceedings that impacted their conduct and completion.

21. The Board will continue to follow up closely the implementation of available measures to ensure that the risk of delay in completion of the Mechanism's appeals work within the projected timeline is mitigated.

4. Regulatory framework of the Mechanism

Policies consistent with the Mechanism's current operating environment

22. Most of the Mechanism's administrative processes, including employee self-services, facilities management, financial accounting, fixed assets management, human resources administration, procurement management and travel management, were automated after the introduction of Umoja enterprise resource planning. Despite these changes, the Mechanism continues to use most of the administrative procedures, policies and practices inherited from the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, and has not revised the old policies to conform to the current automated processes and operating environment. For example, the Board noted that the Mechanism inherited a policy on travel request and authorization and the standard operating procedure on travel that is not consistent with the Mechanism's current automated environment, whereby forms such as the PT.8 mentioned in the policy and the standard operating procedure are no longer in use.

23. The Board noted that the Mechanism has established a policy development framework to provide guidance for areas of its operations that are unique to the

Mechanism, which requires elaboration in addition to guidance provided under Umoja.

24. However, the Board found that the Mechanism had no formal action plan or framework to guide the process of identifying and refining the policies or for developing standard operating procedures that conform to the current working environment in the Mechanism.

25. The Board considers that the Mechanism should refine its administrative regulatory structure as a matter of priority to ensure that it can implement its administrative roles with proper guidance in place.

26. **The Board recommends that the Mechanism use the policy development framework to update its administrative rules, policies and procedures to suit its current operating environment.**

5. Archive and records management systems

27. The mandate of the International Tribunal for the Former Yugoslavia expires on 31 December 2017 and as part of the winding-down process, thousands of linear metres of physical records and petabytes of digital records are to be transferred to the custody of the Mechanism under the Mechanism Archives and Records Management Section.[1] The Board reviewed the archive and record transfer activities and noted a number of concerns that management needs to address.

Deficiency in handling of the audiovisual backup tapes

28. In April 2016, the Mechanism, through the Mechanism Archives and Records Section, moved all its judicial audiovisual backup tapes and hard drives of about 739.8 terabytes into a temporary separate location away from the primary data centre as part of its disaster recovery plan to guarantee business continuity.

29. However, the Board visited the backup site and observed that the Mechanism Archives and Records Section does not regularly monitor the backup facility and tapes. As a result, the tapes were moved by the custodian to another location without consultation with the Section.

30. The Mechanism stated that the Mechanism Archives and Records Section took a risk-based approach in carefully analysing several options regarding the short-, medium- and long-term disposition of the tapes (and the data contained therein), including digitizing the tapes. Once digitized, the tapes could be destroyed, which might be possible some time in 2017.

31. The Board is concerned that deficiencies in the handling and monitoring of audiovisual backup tapes stored away from the data centre, including their movements, increase the risk of loss of or damage to the storage media.

32. **The Board recommends that the Mechanism, through the Mechanism Archives and Records Section, closely monitor the backup tapes in the storage place.**

[1] Entrusted with the custody and management of the archives of the International Tribunal for the Former Yugoslavia.

Lack of training in the preparation and transfer of digital records

33. The Mechanism Archives and Records Section developed both physical and digital records disposition project documents for the International Tribunal for the Former Yugoslavia in October 2015, with the aim of ensuring that all records are disposed of before the closure of that Tribunal. The documents identify, among other things, the need for staff training in the identification, appraisal and disposition of Tribunal records. In accordance with the high-level project plans attached to these documents, the training events are scheduled to start from October 2015.

34. The Board noted that the Tribunal conducted training in the disposition of physical records, which included briefing Tribunal section chiefs and training the designated focal points. However, no similar training events were conducted for the disposition of digital records.

35. Management stated that they were currently finalizing records disposition plans for digital records, with the formal training expected to begin by September 2016. It also explained that the Mechanism Archives and Records Section was providing briefing, instruction and guidance required to support specific projects involving digital records.

36. The Board is of the view that delay in conducting the formal training will affect the preparation and transfer of digital records, taking into consideration that 50 per cent of the estimated volume is targeted to be transferred by December 2016.

37. **The Board recommends that the Mechanism, through the Mechanism Archives and Records Section, ensure that the training plan is updated and that the formal training in the disposition of digital records is carried out at the earliest possible time.**

6. Information and communications technology

Lack of consolidation plan for information and communications technology systems

38. The Mechanism's information and technology infrastructure is located on a common infrastructure that integrates the network, storage and virtualization environment and has been installed in the Mechanism's branches in Arusha and The Hague. This platform makes possible full and equal access to databases, information technology systems and applications in the two branches.

39. The Mechanism at the branch in The Hague uses many systems that were cloned from systems and applications of the International Tribunal for the Former Yugoslavia. Although some of the cloned administrative systems and applications have been replaced by Umoja, the Board noted that there are some systems still in use, including the Court Management System, the Evidence Unit tracking database, the Witness Management System, the judicial database, the International Tribunal for the Former Yugoslavia court records, the incoming request database and the operations and support system. Moreover, the Arusha branch has retained 32 information systems and applications that were earlier used by the International Criminal Tribunal for Rwanda.

40. However, the Board found that the Mechanism had not involved users in the process of transferring information and communications systems and applications

(i.e., representatives of the Chambers, the Office of the Prosecutor and the Registry of the two Tribunals). Furthermore, the Mechanism had not developed detailed workplans to harmonize and consolidate the information systems required by the Mechanism's organs from the existing information systems and applications of the two Tribunals.

41. The Mechanism stated that it would form working groups to address the harmonization and consolidation of the information systems as well as the development of explicit and appropriate plans for the transfer of information and communications technology systems and applications to the Mechanism.

42. The Board considers that for the Mechanism to fully benefit from the information systems and applications inherited from the Tribunals, it needs to consolidate them and ensure that it can connect with the two branches, in Arusha and The Hague. Moreover, it is important for the consolidation to be achieved before the closure of the International Tribunal for the Former Yugoslavia since the process requires staff resources with appropriate knowledge about the existing systems.

43. **The Board recommends that the Mechanism urgently collaborate with the International Tribunal for the Former Yugoslavia and establish an appropriate working group to: (a) review the Mechanism's information technology systems and applications requirements; and (b) develop workplans to harmonize and consolidate the applications and systems inherited from the two Tribunals, as appropriate, to meet those requirements.**

7. Construction of the Mechanism facility in Arusha

44. The General Assembly, by its resolutions 66/240 A of 24 December 2011 and 68/257 of 27 December 2013, appropriated a total of $8.8 million for the construction of the Mechanism facility in Arusha. The appropriated amount includes construction costs of $6.4 million, architect fees of $0.6 million, provision of $0.7 million for supervision, management and travel, and provision of $1.1 million for contingencies.

45. On 19 February 2015, the Mechanism engaged a contractor for the construction of the facility for a contract price of $6.6 million. The expected duration of the contract was 12 calendar months, from 27 February 2015 to 28 February 2016. As at 21 June 2016, the contactor had been paid a total of $3.2 million, equivalent to 48 per cent of the contract price.

Construction project time management

46. On 13 June 2016, the Procurement Division in New York approved an extension of the contract period from 28 February to 16 May 2016. The reasons stated for the extensions were: (a) to rectify some errors, which involved, among other things, some redesigning proposed by the architects; and (b) to compensate the contractor for the time spent in reviewing and approving the heating, ventilation and air-conditioning system substitution.

47. Although the project was due to be completed by 16 May 2016, it had still not been completed at the time of the Board's site visit on 21 June 2016. The Board

ascertained that, in accordance with clause 8.7 of the first schedule of the contract, while an amount of $0.48 million could be deducted as liquidated damages as at May 2016, this had not been done. In accordance with General Assembly resolution 70/258, the Secretary-General should recover from the contractor any direct and indirect costs arising from errors and delays.

48. The Mechanism stated that it had held consultations with the Office of Legal Affairs and the Office of Central Support Services on that matter. It had been advised that pursuing contractual remedies was premature at the current stage, but it should be addressed later to avoid the potential for additional disruption of the project and to ensure that it first had comprehensive information. However, the Board considers that the Mechanism should continue to regularly review the contactor's performance and, where appropriate, to recover liquidated damages for the delays caused by the contractor.

49. Apart from delays as a result of the contractor's performance, the Board also found that the Procurement Division had delayed significantly to process the request to approve the extension of the project. For instance, the approval was provided on 13 June 2016, five months after the request received from the contractor in January 2016 and 28 days after the expiry of the revised completion date. While the delay in approval did not cause a delay in the project, it highlights the need for close monitoring of the project management process.

Reporting on the project status

50. The Mechanism provided to the Board weekly reports that show planned activities and the percentage of execution for the respective week. However, it was unable to provide a technical report on the overall or cumulative progress of the project and the percentage of the completed work. In addition, there was no contractor's revised schedule of work or action plan showing how the remaining activities could be completed without further delay.

51. The Mechanism estimates that approximately 80 per cent of the work has been completed and that substantial completion is expected in September 2016. However, the Board considers that the Mechanism will have to prepare a plan to ensure that the project is completed as scheduled.

52. **The Board recommends that the Mechanism collaborate with the Procurement Division at Headquarters to: (a) continue to closely monitor the project so as to avoid further delays; (b) prepare a project plan and supervise its implementation to demonstrate how the project will be completed on time and within the approved budget; and (c) evaluate and enforce the provision regarding liquidated damages, as appropriate, for the failure of the contractor to abide by the contractual terms.**

C. Disclosures by management

1. Write-offs of losses of cash, receivables and property

53. There were no write-offs of losses of cash, receivables and property disclosed for the period under review.

2. Ex gratia payments

54. Management confirmed that the Mechanism did not make any ex gratia payments in 2015.

3. Cases of fraud and presumptive fraud

55. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities, including those resulting from fraud. The Board's audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

56. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to the Board's attention. It also asks whether management has any knowledge of any actual, suspected or alleged fraud, which includes enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

57. In 2015, the Board did not identify any cases of fraud and presumptive fraud and the Mechanism reported to the Board that it had no such cases.

D. Acknowledgement

58. The Board wishes to express its appreciation to the President, the Prosecutor, the Registrar and the staff of the International Residual Mechanism for Criminal Tribunals for the cooperation and assistance extended to its staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

19 September 2016

Chapter III
Certification of the financial statements

Letter dated 31 May 2016 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2015 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the Mechanism during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the International Residual Mechanism for Criminal Tribunals, numbered I to V, are correct in all material respects.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2015

A. Introduction

1. The Registrar has the honour to submit herewith the financial report on the accounts of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2015.

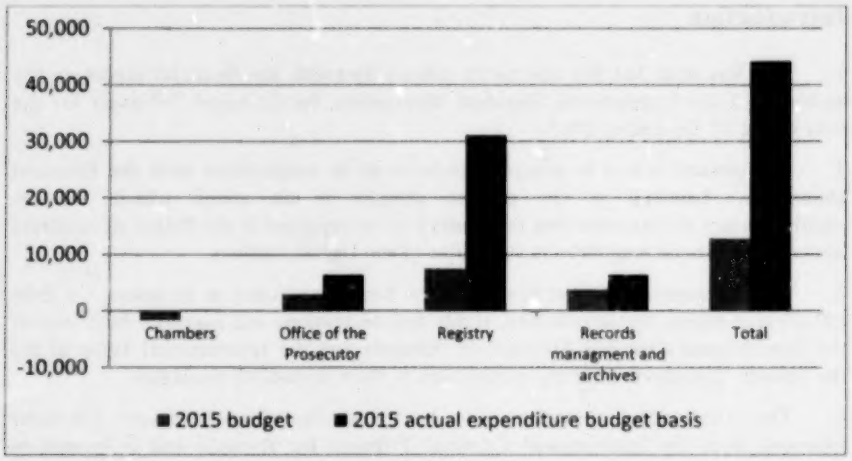
2. The present report is designed to be read in conjunction with the financial statements. Attached to the present chapter is an annex which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. The Mechanism was established by the Security Council in its resolution 1966 (2010) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates.

4. The Mechanism comprises two branches. One branch covers functions inherited from the International Criminal Tribunal for Rwanda and is located in Arusha, United Republic of Tanzania. It commenced its operations on 1 July 2012. The other branch is located in The Hague, the Netherlands, and inherited functions from the International Tribunal for the Former Yugoslavia. It commenced its operations on 1 July 2013. The accompanying figure shows the relative proportion of the 2015 budget of the Mechanism for each of its programme components; the final annual budget totalled $12.803 million (2014: $58.786 million) and expenditure was $44.159 million (2014: $26.237 million). The comparative budget and expenditure of the three organs of the Mechanism are presented below, firstly on an annual basis and secondly on a biennial basis. The reasons for the differences are explained in section B below.

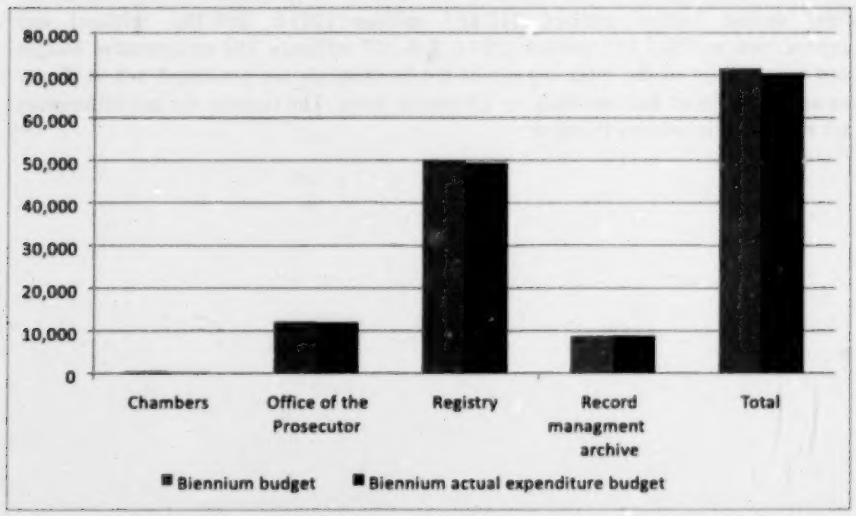
Budget and expenditure of the organs of the International Residual Mechanism for Criminal Tribunals (annual basis)

(Thousands of United States dollars)



Budget and expenditure of the organs of the International Residual Mechanism for Criminal Tribunals (biennial basis)

(Thousands of United States dollars)



5. In accordance with its mandate, the Mechanism has assumed responsibility for many functions of the two Tribunals, including a range of judicial activities, the enforcement of sentences, resettlement of acquitted and released persons, the protection of victims and witnesses and the management of archives. As the

Tribunals complete their work and progressively downsize their operations, the Mechanism is relying less on the support services of the two Tribunals and continues the process of establishing its own small self-standing administration. In 2015, the Mechanism continued to work closely with Tribunal principals and staff to ensure a smooth transition of the remaining functions and services and the harmonization and adoption of best practices.

B. Overview of the financial statements for the year ended 31 December 2015

6. Financial statements I, II, III, IV and V show the financial results of the activities of the Mechanism and its financial position as at 31 December 2015. The notes to the financial statements explain the Mechanism's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

7. In 2015, revenue totalled $10.428 million. The main source of revenue was assessed contributions of $9.940 million received from Member States. The reduction of the final appropriation for the biennium 2014-2015 approved by the General Assembly in its resolution 70/243 has been reflected as a reduction of revenue in the statement of financial performance for 2015, and as both a provision and a reduction in accounts receivable in the statement of financial position. Further analysis is presented in statement V, Comparison of budget and actual amounts, in note 5, Comparison to budget, in note 13, Provisions, and in note 16, Revenue.

8. The other sources of revenue included investment revenue and contributions in kind of $0.313 million and $0.175 million, respectively. Revenue reported as contributions in kind represents transfer of used equipment items from the International Criminal Tribunal for Rwanda, transfer of software from the International Tribunal for the Former Yugoslavia, as well as the remuneration of the staff of the International Tribunal for the Former Yugoslavia for the time spent on the development of the legacy website project during the year.

Expenses

9. For the year ended 31 December 2015, expenses totalled $35.506 million. The main expense categories were staff costs of $25.854 million, or 72.8 per cent, contractual services of $3.189 million, or 9.0 per cent, other operating expenses of $4.612 million, or 13.0 per cent, travel expenses of $1.104 million, or 3.1 per cent, as well as depreciation and amortization of $0.587 million, or 1.7 per cent.

10. Total personnel cost, which includes staff costs and judges' honorariums and allowances, amounted to $26.014 million; this amount represents 2.5 times the total revenue, which was reported at $10.428 million for the year.

Operating results

11. The deficit of revenue over expense in 2015, as measured under the International Public Sector Accounting Standards (IPSAS), was $25.078 million.

The deficit results from the reduction in the final appropriation for the biennium. The surplus in 2014 was $35.344 million, and for the biennium as a whole, the surplus was $10.266 million.

Assets

12. Assets as at 31 December 2015 totalled $68.539 million compared with the balance at 31 December 2014 of $50.385 million.

13. The main assets at 31 December 2015 were cash and cash equivalents and investments totalling $59.233 million, representing 86.4 per cent of the total assets, and assessed contributions receivable from Member States of $757 million, or 1.1 per cent. The remaining assets consisted of other accounts receivable, property, plant and equipment, and intangible assets.

14. Cash and cash equivalents, and investments of $59.233 million at 31 December 2015, other than small amounts held in field office imprest accounts, were held in the United Nations main cash pool. This represents an increase of $15.148 million on the balance of $44.085 million held at the end of 2014.

Liabilities

15. Liabilities as at 31 December 2015 totalled $63.199 million compared with the balance at 31 December 2014 of $19.159 million.

16. The largest component of liabilities was a provision of $41.426 million for return of assessed contributions to Member States. The reduction in the final appropriation for the biennium 2014-2015 of $45.933 million generated a corresponding adjustment to revenue: this reduction has been offset, first, against assessed contributions receivable that are still due from Member States for the same biennium; the remaining balance has been presented as a provision to be returned in 2016 to Member States that had already settled their assessed receivables in 2015.

17. The liability for employee benefits earned by staff members and retirees concerns primarily liabilities for after-service health insurance, which amounted to $14.535 million, representing 22.9 per cent of the Mechanism's total liabilities. They are explained in detail in note 12 to the financial statements. The increase of these liabilities by $2.339 million was caused primarily by recognized actuarial losses and changes in valuation pursuant to IPSAS 25, as well as transferred liabilities relating to staff transferred to the Mechanism from the International Tribunal for the Former Yugoslavia.

Net assets

18. The movement in net assets during the year reflects a decrease of $25.886 million from $31.226 million in 2014 to $5.340 million in 2015, on account of the operating deficit of $25.078 million and actuarial losses of $0.808 million. As at 31 December 2015, the net assets of the Mechanism included a restricted portion of $4.946 million relating to the balance of the special account for the construction of the new Arusha facility.

Liquidity position

19. At 31 December 2015, liquid assets totalled $42.201 million (cash and cash equivalents of $9.630 million, short-term investments of $29.685 million and accounts receivable and other assets of $2.886 million), whereas total current liabilities amounted to $49.883 million.

20. The following table summarizes four key liquidity indicators for the financial year ended 31 December 2015, with comparatives for the year ended 31 December 2014:

	Year ended 31 December	
Liquidity indicator	*2015*	*2014*
Ratio of liquid assets to current liabilities	0.8:1	3.9:1
Ratio of liquid assets less accounts receivable to current liabilities	0.8:1	3.5:1
Ratio of liquid assets to total assets	0.6:1	0.6:1
Average months of cash, cash equivalents and investments on hand	20.0	20.2

21. The ratio of liquid assets to current liabilities is a measure of the ability of the Mechanism to pay its short-term obligations from its liquid resources. The ratio of 0.8:1 indicates that current liabilities are largely covered by liquid assets, but there are not sufficient liquid assets available to fully pay liabilities at immediate notice should the need arise. The change in the value of this ratio from 3.9:1 in the prior year resulted from an increase in current liabilities as at the end of 2015. A total of 83 per cent of those current liabilities is represented by the provision to return assessed contributions for the biennium 2014-2015 to Member States, which will be achieved through a reduction in the assessments issued for 2015/2016. As a result, there will not be an outflow of cash to settle this liability and it does not constitute a liquidity challenge. When accounts receivable are excluded from the analysis, the coverage of current obligations remains at 0.8 for the current year (2014: 3.5).

22. At 31 December 2015, the Mechanism's liquid assets were about 62 per cent of its total assets and it held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation and amortization) of $2.910 million for 20 months.

23. As at the reporting date, the Mechanism had liabilities for employee benefits of $14.535 million. With total cash and cash equivalents and investments of $59.233 million, there was sufficient coverage for employee benefits liabilities; however, no amounts were reserved in the accounts to cover employee benefit liabilities to be paid in the future.

Annex

Supplementary information

1. The present annex provides supplementary information that the Registrar is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were no write-off cases of cash or receivables during 2015 with respect to the International Residual Mechanism for Criminal Tribunals.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), there were no write-offs of property during 2015 with respect to the financial statements of the Mechanism.

Ex gratia payments

4. There were no ex gratia payments made by the Mechanism during 2015.

Chapter V

Financial statements for the year ended 31 December 2015

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Note	*31 December 2015*	*31 December 2014*
Assets			
Current assets			
Cash and cash equivalents	6	9 630	9 902
Investments	6	29 685	18 156
Assessed contributions receivable	6	757	2 987
Other accounts receivable	7	473	59
Other assets	8	1 656	295
Total current assets		**42 201**	**31 399**
Non-current assets			
Investments	6	19 918	16 027
Property, plant and equipment	9	5 907	2 673
Intangible assets	10	513	286
Total non-current assets		**26 338**	**18 986**
Total assets		**68 539**	**50 385**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	7 197	1 897
Employee benefits liabilities	12	1 219	968
Provisions	13	41 426	–
Advance receipts	14	29	234
Other liabilities	11	12	4 832
Total current liabilities		**49 883**	**7 931**
Non-current liabilities			
Employee benefits liabilities	12	13 316	11 228
Total non-current liabilities		**13 316**	**11 228**
Total liabilities		**63 199**	**19 159**
Net of total assets and total liabilities		**5 340**	**31 226**
Net assets			
Accumulated surpluses — unrestricted	15	394	25 658
Accumulated surpluses — restricted	15	4 946	5 568
Total net assets		**5 340**	**31 226**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Note	*2015*	*2014*
Revenue			
Assessed contributions	16	9 940	61 648
Investment revenue	6	313	232
Contributions in kind	16	175	90
Total revenue		**10 428**	**61 970**
Expenses			
Employee salaries, allowances and benefits	17	25 854	19 687
Judges honorariums and allowances	17	160	1
Contractual services	17	3 189	2 533
Travel	17	1 104	746
Depreciation and amortization	9, 10	587	412
Other operating expenses	17	4 612	3 247
Total expenses		**35 506**	**26 626**
(Deficit)/Surplus for the year		**(25 078)**	**35 344**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

III. Statement of changes in net assets for the year ended 31 December 2015

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) Unrestricted	*Accumulated surpluses/(deficits) Restricted*	*Total*
Net assets as at 1 January 2014	**(1 676)**	**2 848**	**1 172**
Changes in net assets: 2014			
Actuarial losses on employee benefits liabilities (note 12)	(5 245)	(45)	(5 290)
Surplus for the year	32 579	2 765	35 344
Total changes in net assets	**27 334**	**2 720**	**30 054**
Net assets as at 31 December 2014	**25 658**	**5 568**	**31 226**
Changes in net assets: 2015			
Actuarial losses on employee benefits liabilities (note 12)	(814)	6	(808)
Deficit for the year	(24 450)	(628)	(25 078)
Total changes in net assets	**(25 264)**	**(622)**	**(25 886)**
Net assets as at 31 December 2015	**394**	**4 946**	**5 340**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

IV. Statement of cash flows for the year ended 31 December 2015

(Thousands of United States dollars)

	Note	*2015*	*2014*
Cash flows from operating activities			
Surplus for the year		**(25 078)**	**35 344**
Non-cash movements			
Depreciation and amortization	9, 10	587	412
Contributions in kind	16	175	(90)
Actuarial losses on employee benefits liabilities		(808)	(5 290)
Changes in assets			
(Increase)/decrease in assessed contributions receivable		2 230	(1 800)
(Increase)/decrease in other accounts receivable		(414)	2 835
(Increase)/decrease in other assets		(1 361)	(216)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		5 300	968
Increase/(decrease) in employee benefits liabilities		2 339	8 126
Increase/(decrease) in provisions		41 426	(26)
Increase/(decrease) in contributions or payments received in advance		(205)	(26)
Increase/(decrease) in other liabilities		(4 820)	(39 208)
Investment revenue presented as investing activities		(313)	(232)
Net cash flows from operating activities		**19 058**	**797**
Cash flows from investing activities			
Net receipts from main cash pool investments		(15 420)	6 876
Investment revenue presented as investing activities		313	232
Contributions in kind	16	(175)	90
Acquisition of property, plant and equipment		(3 788)	(2 637)
Acquisition of intangible assets		(260)	(291)
Net cash flows from investing activities		**(19 330)**	**4 270**
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		–	–
Net increase in cash and cash equivalents		**(272)**	**5 067**
Cash and cash equivalents — beginning of year		**9 902**	**4 835**
Cash and cash equivalents — end of year	**6**	**9 630**	**9 902**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

Current year:	*2015 budget (appropriation)*[a]				*Actual 2015 expenditure (budget basis)*	*2015 difference*[b] *(percentage)*	*Memo biennium difference*[c]
	Original biennium	*Final biennium*	*Original annual*	*Final annual*			
Mechanism							
A. Chambers	4 289	422	4 090	(1 648)	211	–	(38.2)
B. Office of the Prosecutor	18 791	12 165	12 759	3 040	6 439	112.0	(1.9)
C. Registry	86 356	50 168	66 973	7 529	31 075	312.6	(1.6)
D. Records management and archives	10 861	8 834	7 511	3 882	6 434	65.7	(0.1)
Total	**120 297**	**71 589**	**91 333**	**12 803**	**44 159**	**244.9**	**(1.7)**

[a] The original budget for the biennium 2014-2015 is the appropriation approved by the General Assembly for the biennium in its resolution 68/257. The final budget for the biennium reflects the original budget plus any adjustments reflected in the revised and final appropriations approved by the Assembly in its resolutions 69/256 and 70/243. The original annual budget is the portion of the revised appropriation allocated to 2015 plus any unencumbered balance at the end of 2014. The final annual budget reflects the original budget plus any adjustments reflected in the final appropriation. The relevant element of assessed contributions is recognized as revenue at the beginning of each year of the biennium and adjusted at the end of the biennium to match the final appropriation.

[b] Actual expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 5.

[c] The size of the reduction in the final annual budget from the second performance report creates a large negative variance in 2015, offsetting the large positive variance in 2014. Differences on a biennium basis are shown in the annex to the present chapter.

Prior year comparative:	*2014 budget (appropriation)*[a]				*Actual 2014 expenditure (budget basis)*	*2014 difference*[b] *(percentage)*
	Original biennium	*Final biennium*	*Original annual*	*Final annual*		
Mechanism						
A. Chambers	4 289	4 140	2 145	2 070	50	(97.6)
B. Office of the Prosecutor	18 791	18 250	9 396	9 125	5 491	(39.8)
C. Registry	86 356	85 277	43 178	42 639	18 304	(57.1)
D. Records management and archives	10 861	9 903	5 431	4 952	2 392	(51.7)
Total	**120 297**	**117 570**	**60 150**	**58 786**	**26 237**	**(55.4)**

[a] Original and final budget amounts relate to the current year 50 per cent proportion of publicly available biennial budgets as allocated to each component in the performance report to the General Assembly (A/69/598) for the Mechanism. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium (resolution 68/257) for the Mechanism.

[b] Actual expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 5.

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals
Notes to the 2015 financial statements

Note 1
Reporting entity

United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, set out the primary objectives of the Organization, as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the United Nations major organs, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations;

(b) The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations, headquartered in New York, has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Reporting entity

4. The present financial statements relate to the International Residual Mechanism for Criminal Tribunals, a separate financial reporting entity of the United Nations. The Mechanism was established by the Security Council in its resolution 1966 (2010) to carry out a number of essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates. The Mechanism comprises two branches:

(a) One which inherited functions from the International Criminal Tribunal for Rwanda (which commenced operations on 1 July 2012) and is located in Arusha, United Republic of Tanzania;

(b) One which inherited functions from the International Tribunal for the Former Yugoslavia (which commenced operations on 1 July 2013) and is located in The Hague, the Netherlands.

5. In accordance with resolution 1966 (2010), the Mechanism consists of three organs:

(a) The Chambers, comprising a Trial Chamber for each branch of the Mechanism and an Appeals Chamber common to both branches of the Mechanism. The Mechanism has a roster of 25 independent judges, not more than 2 of whom are nationals of the same State. Each Trial Chamber is composed of three judges from the roster. In the event of an appeal against a decision by a Trial Chamber, the Appeals Chamber shall be composed of five judges;

(b) The Office of the Prosecutor, common to both branches of the Mechanism, is responsible for: the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, and serious violations of international humanitarian law committed in the territory of Rwanda and Rwandan citizens responsible for such violations committed in the territory of neighbouring States between 1 January and 31 December 1994. The Prosecutor acts independently as a separate organ of the Mechanism;

(c) The Registry, common to both branches of the Mechanism, is responsible for the administration and servicing of the Mechanism, including the Chambers and the Office of the Prosecutor.

6. The Mechanism is regarded as an autonomous financial reporting entity which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the Mechanism is not deemed to be subject to common control. Therefore these financial statements include only the operations of the Mechanism.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

7. In accordance with the Financial Regulations and Rules of the United Nations, the present financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the Mechanism, comprise the following:

(a) Statement I: Statement of financial position;

(b) Statement II: Statement of financial performance;

(c) Statement III: Statement of changes in net assets;

(d) Statement IV: Statement of cash flows (using the indirect method);

(e) Statement V: Statement of comparison of budget and actual amounts;

(f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.

8. The present financial statements have been prepared on a going concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the statements. The going concern assertion is based on the positive historical trend of collection of assessed contributions, the net assets position and the approval by the General Assembly of the budget requirements for the biennium 2016-2017, which occurred in December 2015.

Authorization for issue

9. The present financial statements are certified by the Controller and approved by the Secretary-General of the United Nations. In accordance with financial regulation 6.2, the Secretary-General transmits these financial statements as at 31 December 2015 to the Board of Auditors. As agreed with the Board of Auditors, the financial statements for the year ended 31 December 2015 are submitted prior to a revised deadline of 31 May 2016. In accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, shall be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions.

Measurement basis

10. The financial statements, which are for the year 1 January to 31 December, are prepared using the historic cost convention, except for certain assets, as stated in note 3.

Functional and presentation currency

11. The functional currency and the presentation currency of the Mechanism is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

12. Foreign currency transactions are translated into United States dollars at the United Nations Operational Rates of Exchange at the date of the transaction. The United Nations Operational Rates of Exchange approximate the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those currencies other than the functional currency, are translated at the year-end operational rate of exchange. Non-monetary foreign currency items measured at historical cost or fair value are translated at the operational rate of exchange prevailing at the date of the transaction or when the fair value was determined.

13. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

14. Materiality is central to the preparation and presentation of the Mechanism's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would impact the conclusions or decisions of the users of the financial statements.

15. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

16. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; assumptions in measurement of judges' honorariums and allowances; selection of useful lives and the depreciation and amortization method for property, plant and equipment and intangible assets; impairment of assets; classification of financial instruments; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets and liabilities.

Future accounting pronouncements

17. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Mechanism's financial statements continues to be monitored:

(a) Public sector-specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector-specific financial instruments which are outside the scope of those covered by IPSAS 28: Financial instruments: presentation, IPSAS 29: Financial instruments: recognition and measurement, and IPSAS 30: Financial instruments: disclosures;

(b) Social benefits: the project objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in financial statements;

(c) Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e., transactions or other events that bring two or more separate operations into a single public sector entity;

(d) Emissions trading schemes: the project will consider issues related to emissions trading schemes with the aim to develop a standard(s) that provides requirements to administrators and participants in such schemes;

(e) Heritage assets: the project objective is to develop accounting requirements for heritage assets;

(f) Non-exchange expenses: the aim of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(g) Revenue: the aim of the project is to develop one or more IPSAS covering revenue transactions (exchange and non-exchange) in IPSAS. The scope is to develop new standards-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(h) Employee benefits: the objective is to issue a revised IPSAS 25: Employee benefits, which will converge with the underlying International Accounting Standard 19: Employee benefits;

(i) Consequential amendments arising from chapters 1 to 4 of the conceptual framework: the project objective is make revisions to IPSAS that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints of information.

Future requirements of IPSAS

18. On 30 January 2015, the Board of IPSAS published five new standards: IPSAS 34: Separate financial statements; IPSAS 35: Consolidated financial statements; IPSAS 36: Investments in associates and joint ventures; IPSAS 37: Joint arrangements; and IPSAS 38: Disclosure of interests in other entities. Initial application of these standards is required for periods beginning on or after 1 January 2017. These standards do not impact the Mechanism's financial statements, as the Mechanism's activities do not come under the scope of these standards.

Note 3
Significant accounting policies

Financial assets: classification

19. The Mechanism classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date. Classification of financial assets primarily depends on the purpose for which the financial assets are acquired. The categories of financial assets are as follows:

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in the main cash pool
Loans and receivables	Cash and cash equivalents and receivables

20. All financial assets are initially measured at fair value. The Mechanism initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Mechanism becomes party to the contractual provisions of the instrument.

21. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations Operational Rates of Exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

22. Financial assets at fair value through surplus or deficit are those that have been either designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. Such assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

23. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

24. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year they arise.

25. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Mechanism has transferred substantially all risks and rewards of the financial asset.

26. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in the main cash pool

27. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

28. The Mechanism's investment in the main cash pool is included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity of the investments.

Financial assets: cash and cash equivalents

29. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions — contributions

30. Contributions receivable represents uncollected revenue from assessed contributions committed to the Mechanism by Member States and non-Member States. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables of Member States that are subject to the General Assembly voting rights restriction set forth in Article 19 of the Charter of the United Nations owing to arrears equalling or exceeding the amount of the contributions due from it for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment: 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established; rather, disclosures will be made in the notes to the financial statements.

Financial assets: receivables from exchange transactions — other receivables

31. Other receivables primarily include amounts receivable for goods or services provided to other entities and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing.

Other assets

32. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Heritage assets

33. Heritage assets are not recognized in the financial statements but significant heritage assets are disclosed in the notes to the financial statements.

Property, plant and equipment

34. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies, such as: vehicles; temporary and mobile buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets

(building, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $5,000 or $100,000 for buildings, leasehold improvements, infrastructure assets and self-constructed assets;

(b) All property, plant and equipment other than real estate assets is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, real estate assets are initially recognized at fair value using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it existed), or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost;

(d) For property, plant and equipment acquired at nil or nominal cost, such as donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

35. Property, plant and equipment are depreciated over their estimated useful life using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Significant components of major owned buildings with different useful life are depreciated using the components approach. Depreciation commences in the month when the Mechanism gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are as follows:

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6-12 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	
	Security and safety equipment	
	Water treatment and fuel distribution equipment	7 years

Class	*Subclass*	*Estimated useful life*
	Transportation equipment	
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings	Up to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

36. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated in the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets, which revealed that the majority of such assets had relatively short useful lives of 10 years or less.

37. The Mechanism elected the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Mechanism and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

38. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

39. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end net book value greater than $500,000 are reviewed for impairment at each

reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

40. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is $100,000 for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

41. Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the Mechanism are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultants costs and other applicable overhead costs.

42. Intangible assets with definite useful life are amortized on a straight-line method over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational. The useful lives of major classes of intangible assets have been estimated as follows:

Class	*Range of estimated useful life*
Software acquired externally	3-10 years
Software and websites internally developed	3-10 years
Licences and rights	2-6 years (period of licence/right)
Copyrights	3-10 years
Assets under development	Not amortized

43. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when their indicators of impairment are identified.

Financial liabilities: classification

44. Financial liabilities are classified as "other financial liabilities". They include accounts payable, judges' benefits liabilities, unspent funds held for future refunds and other liabilities, such as balances payable to other United Nations system entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are recognized at their nominal value. The Mechanism re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

45. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoiced amounts, less discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

Advance receipts and other liabilities

46. Other liabilities consist of advance receipts relating to contributions or payments received in advance, liabilities for conditional funding arrangements, assessed contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the Mechanism's revenue recognition policies.

Leases: the Mechanism as lessee

47. Leases of property, plant and equipment, where the Mechanism has substantially all of the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term based on the effective interest rate method.

48. Leases where all of the risks and rewards of ownership are not substantially transferred to the Mechanism are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Donated rights to use

49. The Mechanism occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. Based on the term of the agreement and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

50. In the case of operating leases, an expense and a corresponding revenue equal to the annual market rent of similar property is recognized in the financial statements. In the case of finance leases (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the term period.

51. Long-term donated rights to use building and land arrangements are accounted for as operating leases where the Mechanism does not have exclusive control over the building and title to the land is not granted.

52. The threshold for the recognition of revenue and expense is yearly rental value equivalent to $5,000 per donated rights to use premises, land, infrastructure, machinery and equipment.

Employee benefits

53. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations established by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term, long-term, post-employment and termination benefits.

Short-term employee benefits

54. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave) provided to current employees based on services rendered. All such benefits which are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

55. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and annual leave that are accounted for as defined benefit plans in addition to the United Nations Joint Staff Pension Fund.

Defined benefit plans

56. Defined benefit plans are those where the obligation of the Mechanism is to provide agreed benefits and therefore it bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Mechanism has elected to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the year end, the Mechanism did not hold any plan assets as defined by IPSAS 25: Employee benefits.

57. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds with maturity dates approximating those of the individual plans.

58. After-service health insurance: This insurance provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of

participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Mechanism's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Mechanism's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Mechanism's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

59. Repatriation benefits: Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and to travel and removal expenses. A liability is recognized from when the staff member joins the Mechanism and is measured as the present value of the estimated liability for settling these entitlements.

60. Annual leave: The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the Mechanism recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the statement of financial position. Annual leave benefits are considered to be a post-employment defined benefit and as such are recognized on the same actuarial basis as other defined benefit plans.

Pension plan: United Nations Joint Staff Pension Fund

61. The Mechanism is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

62. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The Mechanism, in line with other participating organizations, is not in a position to identify the Mechanism's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Mechanism has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Mechanism's contributions to the Pension Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

63. Termination benefits are recognized as an expense only when the Mechanism is demonstrably committed, without realistic possibility of withdrawal, to a formal

detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

64. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

Provisions

65. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Mechanism has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation.

Contingent liabilities

66. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mechanism; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets

67. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Mechanism.

Commitments

68. Commitments are future expenses to be incurred by the Mechanism on contracts entered into by the reporting date and that it has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the Mechanism in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

69. Assessed contributions for the Mechanism are assessed and approved for a two-year budget period. The relevant portion of assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed to the Member States to finance the activities of the Mechanism in accordance with the scale of assessments determined by the General Assembly. Revenue from assessed contributions from Member States and from non-Member States is presented in the statement of financial performance.

Non-exchange revenue: other

70. In-kind contributions of goods, above the recognition threshold of $5,000 per discrete contribution, are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Mechanism and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Mechanism has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of service above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

71. Exchange transactions are those in which the Mechanism sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met.

72. Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities or other partners is recognized when the service is performed. Exchange revenue also includes income from the rental of premises, the sale of used or surplus property and service to visitors from guided tours, and income from net gains resulting from currency exchange adjustments.

Investment revenue

73. Investment revenue includes the Mechanism's share of net main pool income and other interest income. The net main pool income includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against income and the net income is distributed proportionately to all main pool participants based on their daily balances. The main pool income also includes unrealized market gains and losses on securities, which are distributed proportionately to participants based on their year-end balances.

Expenses

74. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered regardless of the terms of payment.

75. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, assignment, repatriation, hardship and other allowances.

76. Contractual services include non-employee compensation such as consultant fees and related allowances and benefits. Other operating expenses include any maintenance, utilities, training, security services, shared services, rental, insurance, allowance for bad debt and write-off expenses.

Note 4
Segment reporting

77. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

78. These financial statements represent the activities of the Mechanism, that is, one activity that was established under a single Security Council resolution. While the budgetary process includes a breakdown that reflects the organizational structure into the Chambers, the Prosecutor and the Registry, each of those organs does not meet the definition of a segment, as they do not represent different activities for which financial information is reported separately in order to evaluate past performance in achieving its objectives and making decisions about the future allocation of resources. Therefore, for segment reporting purposes, the Mechanism has one segment.

Note 5
Comparison to budget

79. Statement V: The statement of comparison of budget and actual amounts presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

80. Approved budgets are those that authorize expenses to be incurred and are approved by the General Assembly. In its resolutions 68/257, 69/259 and 70/243, the Assembly approved the Mechanism's budget appropriations for the biennium 2014-2015. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations.

81. The original annual budget is the portion of the revised appropriation allocated to 2015 and any unencumbered balance at the end of 2014. The final annual budget reflects the original budget and any adjustments reflected in the final appropriation. Explanations for material differences (i.e., those greater than 10 per cent) between (a) the original and final budget amounts and (b) the final budget amounts and actual expenditure on a modified cash basis are considered in the following table.

Material differences greater than 10 per cent

A. Chambers	Original versus final budget: The decreased requirements are due to lower than anticipated levels of judicial activity owing to the non-arrest of fugitives, which brought about a reduction in the requirements under judges' honorariums.
	Final budget versus actual on budget basis: The overexpenditure in 2015 is more than offset by underexpenditure in 2014. When compared against the biennial amounts, the budget versus actual balance reflects savings of $0.161 million, representing a 38 per cent variance vis-à-vis the final appropriation for the biennium 2014-2015. This difference is attributable mainly to lower than forecast judicial activity, which in turn resulted in lower expenditure under salaries and allowances of judges.
B. Office of the Prosecutor	Original versus final budget: The decrease is due mainly to lower than anticipated use of general temporary assistance owing to the non-arrest of fugitives in Arusha and in support of appeals requirements in the branch in the Hague.
	Final budget versus actual on budget basis: The overexpenditure in 2015 is more than offset by underexpenditure in 2014. When compared against the biennial amounts, the budget versus actual balance reflects a variance of less than 10 per cent.
C. Registry	Original versus final budget: The decreased requirements relate to the lower than anticipated level of judicial activity at the Arusha branch, owing mainly to the non-arrest of fugitives, which resulted in lower than budgeted requirements under posts and general temporary assistance.
	Final budget versus actual on budget basis: The overexpenditure in 2015 is more than offset by underexpenditure in 2014. When compared against the biennial amounts, the budget versus actual balance reflects a variance of less than 10 per cent.
D. Records management and archives	Original versus final budget: The variance between the original and final budgets is attributable mainly to delays encountered in the acquisition and implementation of the digital repository.

Final budget versus actual on budget basis: The overexpenditure in 2015 is more than offset by underexpenditure in 2014. When compared against the biennial amounts, the budget versus actual balance reflects a variance of less than 10 per cent.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

82. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is as follows:

Reconciliation of actual amounts on a comparable basis to the statement of cash flows

(Thousands of United States dollars)

Current year: 2015	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(42 944)**	**(1 215)**	–	**(44 159)**
Basis differences	51 886	(3 008)	–	48 878
Presentation differences	10 116	(15 107)	–	(4 991)
Actual amounts in the statement of cash flows (statement IV)	**19 058**	**(19 330)**	–	**(272)**

Prior year comparative: 2014	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(23 309)**	**(2 928)**	–	**(26 237)**
Basis differences	(37 542)	322	–	(37 220)
Presentation differences	61 648	6 876	–	68 524
Actual amounts in the statement of cash flows (statement IV)	**797**	**4 270**	–	**5 067**

83. Basis differences comprise the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the modified-cash elements, such as unliquidated obligations, which are commitments against budget but do not represent a cash flow, outstanding assessed contributions and payments against prior year obligations which do not apply to the current year, must be eliminated. Similarly, IPSAS-specific differences, such as cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect cash flows relating to changes in receivables owing to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to reconcile to the statement of cash flows.

84. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting income and the net

changes in main pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into the operating, investing and financing activities.

Status of appropriations

85. In accordance with General Assembly resolutions 68/257, 69/256 and 70/243, gross appropriations for the Mechanism for the biennium 2014-2015 and gross assessments for each year are as follows:

(Thousands of United States dollars)

	Gross appropriation
Mechanism	
Initial appropriation for the biennium 2014-2015 (resolution 68/257)	120 297
First performance report for the biennium 2014-2015 (A/69/598)	(2 727)
Recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/69/655)	(2 048)
Second performance report for the biennium 2014-2015 (A/70/558)	(43 933)
Total final appropriation for the biennium 2014-2015	**71 589**
Assessment for 2014 (resolution 68/257)	(61 648)
Assessment for 2015 (resolution 69/256)	(55 374)
Balance to be assessed for 2016 (resolution 70/243)	**(45 433)**

The reduction in the final appropriation for the biennium 2014-2015 is deducted from the assessments of the 2015/2016 appropriation issued in 2016. The reduction of $45.433 million has therefore been accrued in these financial statements as a reduction in revenue and accounts receivable.

Note 6
Financial instruments

(Thousands of United States dollars)

Financial instruments	*31 December 2015*	*31 December 2014*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments — main pool	29 685	18 156
Long-term investments — main pool	19 918	16 027
Total	**49 603**	**34 183**
Loans and receivables		
Cash and cash equivalents — main pool	9 627	9 364
Cash and cash equivalents — other	3	538
Subtotal total cash and cash equivalents	**9 630**	**9 902**

Financial instruments	*31 December 2015*	*31 December 2014*
Assessed contributions receivable	757	2 987
Other receivables (note 7)	473	59
Other assets (excludes deferred charges) (note 8)	1 656	295
Total loans and receivables	**12 516**	**13 243**
Total carrying amount of financial assets	**62 119**	**47 426**
Of which relates to financial assets held in the main pool	59 230	43 547
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (note 11)	7 197	1 897
Other liabilities (excludes deferred revenue) (note 11)	12	4 832
Total carrying amount of financial liabilities	**7 209**	**6 729**
Summary of net income from financial assets		
Share of main pool net interest and gains	406	300
Other income loss	(93)	(68)
Total	**313**	**232**

Note 7
Other accounts receivable: receivables from exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Other receivables		
Governments	472	10
Staff members	–	18
Vendors	–	31
Other	1	–
Allowance for doubtful receivables	–	–
Total	**473**	**59**

Note 8
Other assets

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Other assets		
Education grant advances	261	159
Travel advances	18	–
Prepayment to vendors and witnesses	1 049	136
Inter-office receivable	328	–
Total	**1 656**	**295**

Note 9
Property, plant and equipment

86. As at the reporting date, the Mechanism did not identify any impairments. Assets under construction relate to the construction of the new Arusha facility, in accordance with General Assembly resolutions 66/240 A and B, which is expected to come into use in October 2016. The Mechanism has no significant heritage assets as at the reporting date.

Property, plant and equipment

(Thousands of United States dollars)

Current year: 2015	*Furniture and fixtures*	*Information technology and communications*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost as at 31 December 2014	**5**	**2 379**	**258**	**98**	**748**	**3 488**
Additions[a]	77	3 045	277	555	1 392	5 346
Cost as at 31 December 2015	**82**	**5 423**	**535**	**653**	**2 140**	**8 834**
Accumulated depreciation as at 31 December 2014	**5**	**594**	**145**	**71**	–	**815**
Depreciation	(8)	571	12	(21)	–	554
Other depreciation adjustments[a]	77	754	231	496	–	1 558
Accumulated depreciation as at 31 December 2015	**74**	**1 919**	**388**	**546**	–	**2 927**
Net carrying amount						
31 December 2014	–	1 785	113	27	748	2 673
31 December 2015	**8**	**3 505**	**147**	**107**	**2 140**	**5 907**

[a] Including partially and fully depreciation property, plant and equipment transferred from the International Criminal Tribunal for Rwanda.

Prior year comparative: 2014	*Furniture and fixtures*	*Information technology and communications*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost as at 1 January 2014	**5**	**531**	**208**	**87**	**–**	**831**
Additions	–	1 848	50	11	748	2 657
Cost as at 31 December 2014	**5**	**2 379**	**258**	**98**	**748**	**3 488**
Accumulated depreciation as at 1 January 2014	4	229	95	59	–	387
Depreciation	1	365	30	12	–	408
Other depreciation adjustments	–	–	20	–	–	20
Accumulated depreciation as at 31 December 2014	**5**	**594**	**145**	**71**	**–**	**815**
Net carrying amount						
1 January 2014	1	302	113	28	–	444
31 December 2014	**–**	**1 785**	**113**	**27**	**748**	**2 673**

Note 10
Intangibles

(Thousands of United States dollars)

	Intangible assets	
	2015	*2014*
Cost at 1 January	290	–
Additions	260	290
Cost at 31 December	**550**	**290**
Amortization at 1 January	4	–
Amortization	33	4
Accumulated amortization at 31 December	**37**	**4**
Net carrying amount		
1 January	286	–
31 December	**513**	**286**

Note 11
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Accounts payable and accrued liabilities		
Vendors	3 466	30
Governments	526	–

	31 December 2015	*31 December 2014*
Staff members	157	26
Accrued expenses	2 068	1 425
United Nations entities	887	248
Inter-office payable — inter-office vouchers	–	168
Others	93	–
Total	**7 197**	**1 897**

Note 12
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current liabilities		
After-service health insurance liability	37	9
Accumulated annual leave	155	146
Repatriation grant	415	278
Accrued salaries and allowances	612	535
Subtotal current liabilities	**1 219**	**968**
Non-current liabilities		
Accumulated annual leave	1 689	1 724
Repatriation grant	2 486	1 715
After-service health insurance liability	9 141	7 789
Subtotal non-current liabilities	**13 316**	**11 228**
Total employee benefits liabilities	**14 535**	**12 196**

87. The liabilities arising from post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. The most recent actuarial valuation was conducted as at 31 December 2015.

Actuarial valuation — assumptions

88. The Mechanism reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations in the 31 December 2015 full valuation are as follows:

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2014	4.12	3.53	3.6
Discount rates: 31 December 2015	4.52	3.79	3.83
Inflation: 31 December 2014	4.50-6.80	2.25	–
Inflation: 31 December 2015	4.00-6.40	2.25	–

89. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (euro area government yield curve) and Swiss francs (the Federation bonds yield curve). Consistent with the decrease observed since 31 December 2014 of interest rates of all maturities in the three areas, lower discount rates were applied in the 2015 valuation.

90. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trends assumptions that were used for the valuation as at 31 December 2014, which included escalation rates for future years, were maintained since no significant evolution regarding medical trends has been observed. At 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2014: 5.0 per cent) for non-United States of America medical plans, health-care escalation rates of 6.4 per cent (2014: 6.8 per cent) for all other medical plans (except 5.9 per cent (2014: 6.1 per cent) for the United States Medicare plan and 4.9 per cent (2014: 5.0 per cent) for the United States dental plan), grading down to 4.5 per cent over eight years.

91. With regard to valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed at 2.25 per cent, based on the projected United States inflation rate over the next 10 years.

92. The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the Mechanism recognizes as a liability the nominal value of the total accumulated leave days of all staff members as at the date of statement of financial position.

93. Assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the Pension Fund in making its actuarial valuation.

Movement in employee benefits liabilities accounted for as defined-benefit plans

(Thousands of United States dollars)

Current year: 2015	*After-service health insurance*	*Repatriation grant*	*Annual leave*	*Total*
Defined-benefit obligation 31 December 2014	7 798	1 959	1 870	11 627
Current service cost	868	361	221	1 450
Interest cost	321	65	65	451
Benefits paid (net of participant contribution)	(9)	(252)	(151)	(412)
Transfers	–	–	–	–
Liability losses owing to actuarial assumptions and experience recognized in net assets	200	769	(161)	808
Defined-benefit obligation 31 December 2015	**9 178**	**2 902**	**1 844**	**13 924**

Prior year comparative: 2014	*After-service health insurance*	*Repatriation grant*	*Annual leave*	*Total*
Defined-benefit obligation 31 December 2013	1 659	1 273	376	3 308
Adjustment to opening balance to reflect change in valuation methodology recognized in net assets	–	–	604	604
Subtotal adjusted opening balance 1 January 2014	**1 659**	**1 273**	**980**	**3 912**
Current service cost	232	139	126	497
Interest cost	86	51	41	178
Benefits paid (net of participant contribution)	(6)	(169)	(124)	(299)
Transfers	1 711	119	219	2 049
Liability losses owing to actuarial assumptions and experience recognized in net assets	4 116	546	628	5 290
Defined-benefit obligation 31 December 2014	**7 798**	**1 959**	**1 870**	**11 627**

Discount rate sensitivity analysis

94. The changes in discount rates are driven by the discount curve, which is calculated based on corporate and government bonds. The bond markets vary over the reporting year and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as follows:

Discount rate sensitivity to end-of-year employee benefit liabilities

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
31 December 2015:			
Increase of discount rate by 1 per cent	(2 031)	(274)	(177)
Decrease of discount rate by 1 per cent	2 542	314	207
31 December 2014:			
Increase of discount rate by 1 per cent	(1 899)	(195)	(195)
Decrease of discount rate by 1 per cent	2 689	224	231

Medical costs sensitivity analysis

95. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, it would impact the measurement of the defined-benefit obligations as follows:

Movement of 1 per cent in the assumed medical costs trend rates

(Thousands of United States dollars)

	Increase	*Decrease*
31 December 2015:		
Effect on the defined-benefit obligation	2 730	(2 018)
Effect on the aggregate of the current service cost and interest cost	345	(249)
31 December 2014:		
Effect on the defined-benefit obligation	569	(423)
Effect on the aggregate of the current service cost and interest cost	124	(104)

Other defined-benefit plan information

96. The General Assembly, in its resolution 67/257 of 12 April 2013, endorsed the decision of the International Civil Service Commission in its report (A/67/9) to support the recommendation of the Pension Fund to raise the mandatory age of retirement to 65 years for new staff of member organizations of the Fund, effective no later than 1 January 2014. Actuaries determined that this increase in the normal age of retirement would not have a material effect on the valuation of post-employment liabilities.

Accrued salaries and allowances

97. Accrued salaries and allowances as at the year-end consist of accruals for home leave ($0.340 million (2014: $0.196 million)); accruals for outstanding payments for staff members separated in December 2015 ($0.109 million (2014: $0.041 million)); accrual for repatriation grant to be paid to former staff members ($0.093 million); and other miscellaneous accrual for staff entitlements

($0.07 million (2014: $0.009 million)). The Mechanism recognized no termination benefits in the year.

United Nations Joint Staff Pension Fund

98. The Regulations of the Pension Fund state that the United Nations Joint Staff Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

99. The Mechanism's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.90 per cent for participants and 15.80 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

100. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation was conducted as at 31 December 2015. However, the results of the valuation were not available at the reporting date. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

101. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time the present report was submitted, the General Assembly had not invoked the provision of article 26.

102. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed by visiting the Fund website at www.unjspf.org.

103. During 2015, the Mechanism's contributions paid to the United Nations Joint Staff Pension Fund amounted to $3.398 million (2014: $3.150 million).

Impact of General Assembly resolutions on staff benefits

104. On 23 December 2015, the General Assembly adopted its resolution 70/244, in which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes, which have an impact on the calculation of other long-term and end-of-service employee benefit liabilities, are as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014, it is 60 or 62. The General Assembly decided to extend the mandatory age of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented, this change is expected to impact future calculations of employee benefit liabilities.
Unified salary structure	The current scales for internationally recruited staff (Professional and Field Service) are based on single or dependant rates. These rates affect the staff assessment and post adjustment amounts. The General Assembly has approved a unified salary scale that will result in the elimination of single and dependant rates. The dependant rate will be replaced by allowances for staff members who have recognized dependants in accordance with the Staff Rules of the United Nations. The revised staff assessment scale and pensionable remuneration scale will be implemented, together with the unified salary structure. The implementation of the unified salary scale is planned for 1 January 2017 and is not designed to result in reduced income for staff members.
Repatriation benefit	Staff members are eligible for the repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain one-year eligibility. Once implemented, this change is expected to impact future calculations of employee benefit liabilities.

Note 13
Provisions

105. Following its consideration of the second performance report on the budget of the Mechanism for the biennium 2014-2015 (A/70/558), the General Assembly, in section I, paragraph 3, of its resolution 70/243, approved a reduction of $43,932,900 gross in the final appropriation for 2014-2015. This amount reflected lower than budgeted trial activity, resulting from lower than anticipated numbers of suspects having been brought to trial. The reduction of the final appropriation for 2014-2015 is deducted from the assessments of the 2015/2016 appropriation issued in 2016. However, since it relates to the current biennium, the reduction has been

reflected by reducing revenue in the statement of financial performance for 2015. In the statement of financial position for 2015, it has been offset partially against assessed contributions receivable still due from Member States for the same biennium; the remaining balance has then been shown as a provision to be returned to Member States in 2016.

Note 14
Contributions or payments received in advance

106. Contributions or payments received in advance amount to $0.029 million (2014: $0.234 million).

Note 15
Net assets

107. Net assets are comprised of the accumulated surpluses/deficits, which represent the residual interest in the assets of the Mechanism after deducting all its liabilities.

Note 16
Revenue

Assessed contributions

108. Assessed contributions of $9.9 million (2014: $61.6 million) have been recorded for the Mechanism in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations. As described in note 13, the reduction in the final appropriation for the biennium 2014-2015 in the second performance review has been reflected in a reduction of $45.433 million to 2015 revenue.

Other exchange revenue

109. Other exchange revenue comprises contributions in kind from the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda for transfer of software and used equipment, as well as staff time spent on the legacy website project during the year.

(Thousands of United States dollars)

	2015	*2014*
Contributions in kind	175	90
	175	**90**

Note 17
Expenses

Employee salaries, allowances and benefits

110. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include

other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	2015	*2014*
Salaries and allowances[a]	24 526	17 262
Current portion of movement in employee benefits liabilities	1 488	2 425
Total	**26 014**	**19 687**

[a] Including judges honorariums and allowances $160,000 (2014: $nil).

Contractual services

111. Contractual services expenses include non-employee compensation, and allowances consist of defence counsel and consultant fees.

(Thousands of United States dollars)

	2015	*2014*
Defence counsel	114	163
Detention services	2 234	2 143
Translation and verbatim reporting	75	143
Other	766	84
Total	**3 189**	**2 533**

Travel

112. Travel expenses include all staff and non-staff travel which is not considered to be an employee allowance/benefit.

(Thousands of United States dollars)

	2015	*2014*
Staff travel	1 080	690
Non-staff travel	24	56
Total	**1 104**	**746**

Other operating expenses

113. Other operating expenses include maintenance, utilities, training, security services, shared services, rental, insurance, allowance for bad debt, write-off expenses, hospitality and official functions, foreign exchange losses, losses on sale of property, plant and equipment and donation/transfer of assets.

(Thousands of United States dollars)

	2015	*2014*
Rent — office and premises	1 312	1 512
Maintenance of premises and equipment	656	513
Claims and medical services for detainees	282	414
Utilities	649	279
Acquisitions	854	204
Foreign exchange loss	53	43
Other rental (equipment, vehicles)	350	127
Other expenses	456	155
Total	**4 612**	**3 247**

Note 18
Financial instruments and financial risk management

Main pool

114. In addition to directly held cash and cash equivalents and investments, the Mechanism participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

115. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and through the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short- and long-term investments) and revenue is based on each participating entity's principal balance.

116. As at 31 December 2015, the Mechanism participated in the main pool that held total assets of $7,783.9 million (2014: $9,462.8 million), of which $59.2 million was due to the Organization (2014: $43.5 million), and its share of revenue from the main pool was $0.3 million (2014: $0.3 million).

Summary of assets and liabilities in the main pool

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	3 888 712
Long-term investments	2 617 626
Total fair value through the surplus or deficit investments	**6 506 338**

	Main pool
Loans and receivables	
Cash and cash equivalents	1 265 068
Accrued investment revenue	12 462
Total loans and receivables	**1 277 530**
Total carrying amount of financial assets	**7 783 868**
Cash pool liabilities	
Payable to the Mechanism	59 230
Payable to other cash pool participants	7 724 638
Total liabilities	**7 783 868**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2015

(Thousands of United States dollars)

	Main pool
Investment revenue	51 944
Foreign exchange losses	(11 720)
Unrealized losses	(10 824)
Bank fees	(525)
Revenue from the main pool	**28 875**

Summary of assets and liabilities of the main pool as at 31 December 2014

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	3 930 497
Long-term investments	3 482 641
Total fair value through the surplus or deficit investments	**7 413 138**
Loans and receivables	
Cash and cash equivalents	2 034 824
Accrued investment revenue	14 842
Total loans and receivables	**2 049 666**
Total carrying amount of financial assets	**9 462 804**

	Main pool
Cash pool liabilities	
Payable to the Mechanism	43 548
Payable to other cash pool participants	9 419 256
Total liabilities	**9 462 804**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2014

(Thousands of United States dollars)

	Main pool
Investment revenue	62 511
Foreign exchange losses	(7 064)
Unrealized losses	(3 084)
Bank fees	(214)
Revenue from the main pool	**52 149**

Financial risk management: overview

117. The Mechanism has exposure to the following financial risks: credit risk; liquidity risk; and market risk.

118. The present note provides information on the Mechanism's exposure to the foregoing risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Financial risk management: framework

119. The Mechanism's risk management practices are in accordance with the Financial Regulations and Rules of the United Nations and the Investment Management Guidelines. The Mechanism defines the capital that it manages as the aggregate of its net assets, which is composed of accumulated fund balances. Its objectives are to safeguard its ability to continue as a going concern, to fund its operations and to fulfil its mandated objectives. The Mechanism manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

120. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

121. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

122. An Investment Committee periodically evaluates investment performance, assesses compliance with the Guidelines and makes recommendations for updates thereto. Other than disclosed, the Mechanism has not identified any further risk concentrations arising from financial instruments.

Credit risk

123. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less impairment is the maximum exposure to credit risk.

Credit risk management

124. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

Credit risk: receivables

125. A large portion of receivables is due from entities which do not have significant credit risk. As at the reporting date, the Mechanism does not hold any collateral as security for receivables. It evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Mechanism will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules of the United Nations or are reversed when the previously impaired receivables are received. The movement in the allowance account during the year was as follows:

Movement in the allowance for doubtful receivables
(Thousands of United States dollars)

	2015	*2014*
As at 1 January	–	–
Additional allowance for doubtful receivables	3	–
Receivables written off during the period as uncollectable	–	–
Unused amounts reversed	–	–
As at 31 December	**3**	–

Credit risk: assessed contributions

126. The ageing of assessed contributions receivable and associated allowance is as follows:

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	31 December 2015		*31 December 2014*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	–	–	–	–
Less than one year	–	–	2 157	–
One to two years	–	–	713	–
Over two years	760	3	117	0
Total	**760**	**3**	**2 987**	**0**

Credit risk: cash and cash equivalents

127. The Mechanism held cash and cash equivalents of $9.725 million (2014: $9.902 million) at the year-end, which is the maximum credit exposure on these assets.

Credit risk: main pool

128. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

129. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as follows.

Investments of the main pool by credit ratings as at 31 December

(Percentage)

Main pool	*Ratings as at 31 December 2015*			*Ratings as at 31 December 2014*			
Bonds (long-term ratings)							
	AAA	**AA+/AA/AA-**	**NR**	**AAA**	**AA+/AA/AA-**	**A+**	**NR**
Standard & Poor	37.7	54.2	8.1	31.2	59.8	1.3	7.7
Fitch	61.9	26.5	11.6	52.2	21.4	–	26.4
	Aaa	**Aa1/Aa2/Aa3**		**Aaa**	**Aa1/Aa2/Aa3**		
Moody's	65.8	34.2	–	69.3	30.7	–	–
Commercial papers (short-term ratings)							
	A-1+			**A-1+**			**NR**
Standard & Poor	100.0			100.0			–
	F1+			**F1+**			

Main pool	*Ratings as at 31 December 2015*			*Ratings as at 31 December 2014*		
Fitch	100.0			90.0		10.0
	P-1			**P-1**		
Moody's	100.0			70.0		30.0
Reverse repurchase agreement (short-term ratings)						
	A-1+					
Standard & Poor	100.0			No reverse repurchase agreements were held as at 31 December 2014		
	F1+					
Fitch	100.0					
	P-1					
Moody's	100.0					
Term deposits (Fitch viability ratings)						
	aaa	**aa/aa-**	**a+/a**	**aaa**	**aa/aa-**	**a+/a**
Fitch	–	53.6	46.4	–	64.1	35.9

130. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Liquidity risk

131. Liquidity risk is the risk that the Mechanism might not have adequate funds to meet its obligations as they fall due. The Mechanism's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

132. The Financial Regulations and Rules of the United Nations require that expenses be incurred after receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk management criteria are adhered to with regard to the amounts receivable.

133. The Mechanism and the United Nations Treasury perform cash-flow forecasting and monitor rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes, based on cash-flow forecasting. The Mechanism maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: main pool

134. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and

marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments is available within a day's notice to support operational requirements. Main pool liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

135. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there were appropriate resources to meet its financial obligations. As at the reporting date, the Mechanism has not pledged any collateral for any liabilities or contingent liabilities, and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Mechanism can be required to settle each financial liability are as follows:

Maturities for financial liabilities
(Undiscounted thousands of United States dollars)

31 December 2015	*Within 3 months*	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable	7 197	–	–	7 197
Other liabilities	12	–	–	12
Total	**7 209**	–	–	**7 209**

31 December 2014	*Within 3 months*	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable	1 897	–	–	1 897
Other liabilities	4 832	–	–	4 832
Total	**6 729**	–	–	**6 729**

Market risk

136. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Mechanism's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Mechanism's fiscal position.

Market risk: currency risk

137. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Mechanism has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to limited currency risk arising from fluctuations in exchange rates. Management policies and the guidelines require the Mechanism to manage its currency risk exposure. Given the Mechanism's share of the main pool and that the main pool is predominantly denominated in United States dollars, the Mechanism has limited currency risk relating to main pool assets. Therefore, in

conjunction with the low risk for other financial instruments, the Mechanism considers currency risk to be low.

Market risk: interest rate risk

138. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to change in interest rates. In general, as interest rates rise, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk.

139. Fixed-rate cash and cash equivalents and investments are the Mechanism's interest-bearing financial instruments. The main pool is its main exposure to interest risk. As at the reporting date, the main pool invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2014: five years). The average duration of the main pool was 0.86 years (2014: 1.1 years), which is considered to be an indicator of low risk.

Market risk: main pool interest rate risk sensitivity analysis

140. The following analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equal 1 per cent). These basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2015
(Millions of United States dollars)

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
Main pool total	**128.99**	**96.74**	**64.48**	**32.24**	**–**	**(32.23)**	**(64.46)**	**(96.69)**	**(128.91)**

Main pool interest rate risk sensitivity analysis as at 31 December 2014
(Millions of United States dollars)

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
Main pool total	**205.45**	**154.08**	**102.71**	**51.35**	**–**	**(51.34)**	**(102.67)**	**(154.00)**	**(205.31)**

Market risk: other

141. The main pool is not exposed to significant other price risk, as it does not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital. The Mechanism is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities regularly used in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

142. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

143. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

144. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

145. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

146. The following fair value hierarchy presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets or any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — Corporates	149 682	–	149 682	–	–	–
Bonds — Non-United States agencies	2 190 965	–	2 190 965	2 154 956	–	2 154 956
Bonds — Non-United States sovereigns	124 612	–	124 612	691 489	–	691 489
Bonds — Supranationals	139 828	–	139 828	440 169	–	440 169
Bonds — United States Treasuries	1 092 139	–	1 092 139	1 297 290	–	1 297 290
Main pool — Commercial papers	949 112	–	949 112	999 234	–	999 234
Main pool — Term deposits	–	1 860 000	1 860 000	–	1 830 000	1 830 000
Total main pool	**4 646 338**	**1 860 000**	**6 506 338**	**5 583 138**	**1 830 000**	**7 413 138**

Note 19
Related parties

Key management personnel

147. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. For the Mechanism, such personnel comprises the President at the Under-Secretary-General level (contracted by the International Tribunal for the Former Yugoslavia), the Prosecutor (contracted by the International Criminal Tribunal for Rwanda) and the Registrar (contracted by the International Tribunal for the Former Yugoslavia) at the Assistant Secretary-General level (who together constitute the Coordination Council of the Mechanism). These persons have the relevant authority and responsibility for planning, directing and controlling the Mechanism's activities.

148. The aggregate remuneration paid to the key management personnel includes net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer pension and health insurance contributions. Such remuneration was paid by the contracting agency of the International Tribunal for the Former Yugoslavia or the International Criminal Tribunal for Rwanda rather than the Mechanism for 2015 in accordance with the double-hatting arrangement, except for one key management personnel, who was paid for two months by the Mechanism.

(Thousands of United States dollars)

Key management personnel	*31 December 2015*	*31 December 2014*
Number of positions (full-time equivalents)	**0.17**	–
Aggregate remuneration	46	–
Non-monetary benefits	–	–
Total remuneration for the year	**46**	–

149. No close family members of key management personnel were employed by the Mechanism at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; any such advances against entitlements are widely available to all staff of the Mechanism.

Related entity transactions

150. In the ordinary course of business, to achieve economies in executing transactions, financial transactions are often executed by one financial reporting entity on behalf of another and then subsequently settled.

Balances reflected in the Tax Equalization Fund

151. The present financial statements report employee benefit expenses on a net-of-tax basis. The tax liabilities relating to operations are reported separately as part of the Tax Equalization Fund in the financial statements of the United Nations, volume I, which also has a financial reporting date of 31 December.

152. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) of 15 December 1955 to equalize the net pay of all

staff members whatever their national tax obligations. The Fund operationally reports as income the staff assessment in respect of staff members financed under the regular budget, the Mechanism and assessed peacekeeping operations. The Fund includes as expenditure the credits against the regular budget, peacekeeping, the Mechanism and Tribunals' assessments of Member States that do not levy taxes on the United Nations income of their nationals.

153. Member States that do levy income taxes on their nationals working for the Mechanism do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members for taxes they had to pay on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds.

154. As at 31 December 2015, as reflected in the latest unaudited financial statements of the United Nations, volume I, the cumulative surplus of the Tax Equalization Fund payable to the United States of America was $30.4 million and to other Member States, it was $37.2 (2014: $27.6 million and $36.8 million, respectively). In addition, the Fund had an estimated tax liability of $28.2 million (2014: $23.3 million) relating to the 2015 tax year and prior tax years.

Note 20
Leases and commitments

Operating leases

155. The Mechanism did not enter into operating leases for the use of premises and equipment in 2015 or 2014. It was using the premises and equipment of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda for its operation and paid its share of the rent to the two Tribunals. On 5 February 2014, the Government of the United Republic of Tanzania granted the Arusha branch of the Mechanism a 99-year exclusive right of occupancy to a parcel of land in Arusha, measuring approximately 6.549 hectares, at nominal cost.

Open contractual commitments

156. At the reporting date, the commitments for property, plant and equipment (including contractual commitments for assets under construction) and goods and services contracted but not delivered, were as follows:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Property, plant and equipment	8 320	387
Goods and services	1 821	976
Total open contractual commitments	**10 141**	**1 363**

Note 21
Contingent liabilities and contingent assets

157. In the normal course of operations, the Mechanism is subject to claims which can be categorized as corporate and commercial; administrative law; and other such as guarantees. At the reporting date, there were no contingent assets or liabilities.

Note 22
Future operations

158. By its resolution 1966 (2010), the Security Council decided to establish the International Residual Mechanism for Criminal Tribunals, with two branches, in order to carry out a number of essential functions, such as the trial of fugitives, after the closure of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. The branch in Arusha commenced operations on 1 July 2012 and the branch in The Hague commenced operations on 1 July 2013, for an initial period of four years. During the initial period of the Mechanism's work, there has been a temporary overlap with the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, as those institutions complete remaining work on any trial or appeal proceedings that are pending as at the commencement dates of the respective branches of the Mechanism. The Mechanism coexisted with both Tribunals during the year and shared resources and provided mutual support and coordination.

159. The President of the International Criminal Tribunal for Rwanda submitted a letter (S/2015/884) addressed to the President of the Security Council on 17 November 2015 to transmit the final report of that Tribunal on the completion of its mandate. Moreover, on 16 November 2015, the President of the International Tribunal for the Former Yugoslavia submitted a letter (S/2015/874) addressed to the President of the Council to transmit the assessments of the President and of the Prosecutor of that Tribunal on the implementation of the completion strategy for that Tribunal, support for the Mechanism and the completion of the trials and appeals procedures.

160. By its resolutions 2193 (2014) and 2194 (2014), the Security Council requested the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, respectively, to complete their work and facilitate the closure of the Tribunals as expeditiously as possible, with the aim of completing the transition to the Mechanism.

Note 23
Events after the reporting date

161. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Annex

Biennium budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

	Publicly available budget[a]		*Actual biennium expenditure (budget basis)*	*Difference*[b] *(percentage)*
	Original biennium	*Final biennium*		
A. Chambers	4 289	422	261	(38.2)
B. Office of the Prosecutor	18 791	12 165	11 930	(1.9)
C. Registry	86 356	50 168	49 379	(1.6)
D. Records management and archives	10 861	8 834	8 826	(0.1)
Total	**120 297**	**71 589**	**70 396**	**(1.7)**

[a] The original budget for the biennium 2014-2015 is the appropriation approved by the General Assembly for the biennium in its resolution 68/257. The final budget reflects the original budget plus any adjustments reflected in the revised and final appropriations approved by the Assembly in its resolutions 69/256 and 70/243.

[b] Actual expenditure (budget basis) less final budget.

16-15295 (E) 270916

Please recycle